

Financial Report

***MacDonell United Methodist
Children's Services, Inc.***

Houma, Louisiana

For the years ended June 30, 2010 and 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/9/11



Bourgeois Bennett

Certified Public Accountants | Consultants
A Limited Liability Company

Financial Report

***MacDonell United Methodist
Children's Services, Inc.***

Houma, Louisiana

For the years ended June 30, 2010 and 2009

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MacDonell United Methodist Children's Services, Inc.

For the years ended June 30, 2010 and 2009

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
MacDonell United Methodist Children's Services, Inc.,
Houma, Louisiana.

We have audited the accompanying statements of financial position of MacDonell United Methodist Children's Services, Inc. (the Agency), a nonprofit organization, as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued a report dated October 1, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
October 1, 2010.

STATEMENTS OF FINANCIAL POSITION**MacDonell United Methodist Children's Services, Inc.**

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 204,165	\$ 297,733
Operating trust - investments	1,162	1,142
Accounts receivable, state agencies	89,727	72,733
Accounts receivable, FEMA	-	9,372
Prepaid insurance	22,274	27,055
Assets restricted for future years' use of facilities	354,661	478,163
Endowment trust - investments	173,039	281,637
Restricted trust - investments	93,693	83,950
Property and equipment, net	365,888	383,858
Deposits	572	572
	<u> </u>	<u> </u>
Totals	<u>\$ 1,305,181</u>	<u>\$ 1,636,215</u>
Liabilities		
Accounts payable	\$ 29,959	\$ 25,672
Accrued salaries and compensated absences	87,427	104,896
Payroll taxes payable	923	930
Other liabilities	3,934	2,542
	<u> </u>	<u> </u>
Total liabilities	<u>122,243</u>	<u>134,040</u>
Net Assets		
Unrestricted:		
Designated for subsequent years' expenses and plant expansion	289,415	459,297
Undesignated	510,587	536,440
	<u> </u>	<u> </u>
Total unrestricted	800,002	995,737
Temporarily restricted	354,661	478,163
Permanently restricted	28,275	28,275
	<u> </u>	<u> </u>
Total net assets	<u>1,182,938</u>	<u>1,502,175</u>
	<u> </u>	<u> </u>
Totals	<u>\$ 1,305,181</u>	<u>\$ 1,636,215</u>

See notes to financial statements.

STATEMENTS OF ACTIVITIES**MacDonell United Methodist Children's Services, Inc.**

For The Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets		
Support:		
State of Louisiana - Department of Social Services	\$ 1,004,040	\$ 913,499
General Board of Global Ministries of the United Methodist Church	52,780	88,731
Churches and other affiliates	17,585	18,091
Contributions of individuals and other non-church affiliations	111,656	132,895
FEMA Grant	-	9,372
In-kind contributions, insurance	16,707	36,050
In-kind contributions	35,831	45,149
Special events	27,957	36,419
	<u>1,266,556</u>	<u>1,280,206</u>
Total unrestricted support		
Revenue:		
Interest income, bank accounts	271	1,838
Investment return	31,254	(134,379)
Other income	3,410	6,488
	<u>34,935</u>	<u>(126,053)</u>
Total unrestricted revenue		
Net assets released from restrictions:		
Use of facilities	123,504	114,188
Earnings of the restricted trust	1,595	722
	<u>125,099</u>	<u>114,910</u>
Total net assets released from restrictions		
Total unrestricted support, revenue and net assets released from restrictions (carry forward)	<u>1,426,590</u>	<u>1,269,063</u>

**Exhibit B
(Continued)**

	<u>2010</u>	<u>2009</u>
Total unrestricted support, revenue and net assets released from restrictions (brought forward)	<u>1,426,590</u>	<u>1,269,063</u>
Expenses		
Program Services:		
Plant operations and maintenance	176,565	182,510
Costs related to capital assets	197,853	204,655
Dietary	110,710	107,291
Laundry and linen	1,538	1,230
Housekeeping supplies	18,410	17,025
Personal client needs	4,643	3,850
Medical and nursing	37,218	40,394
Therapeutic and training	557,997	530,130
Recreational	41,094	75,770
Consultants	3,600	12,000
Educational	440	650
Total program services	<u>1,150,068</u>	<u>1,175,505</u>
Support Services:		
Administrative and general	426,956	448,632
Fund raising	45,299	50,901
Total support services	<u>472,255</u>	<u>499,533</u>
Total expenses	<u>1,622,323</u>	<u>1,675,038</u>
Decrease in Unrestricted Net Assets	<u>(195,733)</u>	<u>(405,975)</u>
Temporarily Restricted Net Assets		
Net assets released from restrictions for use of facilities	<u>(123,504)</u>	<u>(114,188)</u>
Permanently Restricted Net Assets		
Interest and dividends earned in restricted trust	1,595	722
Restricted trust earnings released from restrictions	<u>(1,595)</u>	<u>(722)</u>
Increase in Permanently Restricted Net Assets	<u>-</u>	<u>-</u>
Decrease in Net Assets	<u>(319,237)</u>	<u>(520,163)</u>
Net Assets		
Beginning of year	<u>1,502,175</u>	<u>2,022,338</u>
End of year	<u>\$ 1,182,938</u>	<u>\$ 1,502,175</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2010

	Program Services							
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 50,763	\$ -	\$ 42,321	\$ -	\$ 14,140	\$ -	\$ 30,662	\$ 499,142
Payroll taxes	3,663	-	2,927	-	1,112	-	2,266	37,568
Employee benefits	6,291	-	4,916	-	-	-	2,941	21,287
Total salaries and related expenses	60,717	-	50,164	-	15,252	-	35,869	557,997
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	434	-	-
Building and grounds maintenance	21,133	-	-	-	-	-	-	-
Building and grounds repair	8,270	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	103	-	-
Contract services	19,800	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	2,446	-	-	-	-	-	-
Furniture and equipment	-	10,960	-	-	-	-	-	-
Leasehold improvements	-	25,114	-	-	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	56,793	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
License	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,349	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	1,955	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	11,581	-	-	-	-	-	-	-
Supplies	-	-	3,753	1,538	3,158	2,151	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	55,064	-	-	-	-	-	-	-
Totals	\$ 176,565	\$ 197,853	\$ 110,710	\$ 1,538	\$ 18,410	\$ 4,643	\$ 37,218	\$ 557,997

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 34,385	\$ -	\$ -	\$ 671,413	\$ 224,801	\$ 29,656	\$ 254,457	\$ 925,870
3,033	-	-	50,569	17,482	2,366	19,848	70,417
3,292	-	-	38,727	15,168	1,622	16,790	55,517
40,710	-	-	760,709	257,451	33,644	291,095	1,051,804
344	-	-	344	-	-	-	344
-	-	-	-	13,353	-	13,353	13,353
-	-	-	434	-	-	-	434
-	-	-	21,133	-	-	-	21,133
-	-	-	8,270	-	-	-	8,270
-	-	-	103	-	-	-	103
-	-	-	19,800	-	-	-	19,800
-	-	-	-	-	340	340	340
-	-	-	2,446	-	-	-	2,446
-	-	-	10,960	-	-	-	10,960
-	-	-	25,114	-	-	-	25,114
-	-	-	159,333	-	-	-	159,333
-	-	-	-	2,697	-	2,697	2,697
-	-	-	-	-	600	600	600
-	-	-	56,793	-	-	-	56,793
-	-	-	-	-	9,068	9,068	9,068
-	-	-	-	98,678	-	98,678	98,678
-	-	-	-	-	682	682	682
-	-	-	-	600	-	600	600
-	-	-	1,349	-	-	-	1,349
-	-	-	-	4,264	-	4,264	4,264
-	-	-	-	8,959	529	9,488	9,488
-	-	-	-	4,271	-	4,271	4,271
-	-	-	1,955	-	-	-	1,955
-	-	-	-	3,461	-	3,461	3,461
-	-	-	-	-	371	371	371
-	-	-	-	2,806	-	2,806	2,806
-	-	-	-	-	65	65	65
-	-	-	-	14,058	-	14,058	14,058
-	3,600	-	3,600	-	-	-	3,600
-	-	-	11,581	-	-	-	11,581
40	-	440	11,080	697	-	697	11,777
-	-	-	-	11,446	-	11,446	11,446
-	-	-	-	4,215	-	4,215	4,215
-	-	-	55,064	-	-	-	55,064
<u>\$ 41,094</u>	<u>\$ 3,600</u>	<u>\$ 440</u>	<u>\$ 1,150,068</u>	<u>\$ 426,956</u>	<u>\$ 45,299</u>	<u>\$ 472,255</u>	<u>\$ 1,622,323</u>

STATEMENT OF FUNCTIONAL EXPENSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2009

	Program Services							
	Plant Operations and Maintenance	Costs Related to Capital Assets	Dietary	Laundry and Linen	House - keeping Supplies	Personal Client Needs	Medical and Nursing	Therapeutic and Training
Salaries	\$ 57,303	\$ -	\$ 49,923	\$ -	\$ 12,883	\$ -	\$ 32,208	\$ 465,372
Payroll taxes	3,697	-	3,800	-	1,037	-	2,128	34,829
Employee benefits	6,352	-	3,078	-	-	-	4,972	29,929
Total salaries and related expenses	67,352	-	56,801	-	13,920	-	39,308	530,130
Activities and supplies	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-
Allowances	-	-	-	-	-	508	-	-
Building and grounds maintenance	20,500	-	-	-	-	-	-	-
Building and grounds repair	4,128	-	-	-	-	-	-	-
Clothing	-	-	-	-	-	349	-	-
Contract services	19,800	-	-	-	-	-	-	-
Decorations - Vol. Gala	-	-	-	-	-	-	-	-
Depreciation:								
Building	-	2,446	-	-	-	-	-	-
Furniture and equipment	-	10,790	-	-	-	-	-	-
Leasehold improvements	-	26,168	-	-	-	-	-	-
Disposal of assets	-	5,918	-	-	-	-	-	-
Donated use of facilities	-	159,333	-	-	-	-	-	-
Dues	-	-	-	-	-	-	-	-
Entertainment - Vol. Gala	-	-	-	-	-	-	-	-
Food and beverage	-	-	46,242	-	-	-	-	-
Food and beverage - Vol. Gala	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Insurance - Vol. Gala	-	-	-	-	-	-	-	-
License	-	-	-	-	-	-	-	-
Medical supplies	-	-	-	-	-	-	1,086	-
Miscellaneous	-	-	-	-	-	-	-	-
Motor vehicles - expenses and allowances	-	-	-	-	-	-	-	-
Office supplies	-	-	-	-	-	-	-	-
Personal items	-	-	-	-	-	1,536	-	-
Postage	-	-	-	-	-	-	-	-
Postage - Vol. Gala	-	-	-	-	-	-	-	-
Printing/photo	-	-	-	-	-	-	-	-
Printing - Vol. Gala	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-
Psychiatrist	-	-	-	-	-	-	-	-
Repairs and maintenance - furniture and equipment	8,032	-	-	-	-	-	-	-
Supplies	139	-	4,248	1,230	3,105	1,457	-	-
Telephone	-	-	-	-	-	-	-	-
Travel and seminar expenses	-	-	-	-	-	-	-	-
Utilities	62,559	-	-	-	-	-	-	-
Totals	\$ 182,510	\$ 204,655	\$ 107,291	\$ 1,230	\$ 17,025	\$ 3,850	\$ 40,394	\$ 530,130

See notes to financial statements.

Program Services				Support Services			
Recreational	Consultants	Educational	Total	Administrative and General	Fund Raising	Total	Total
\$ 57,190	\$ -	\$ -	\$ 674,879	\$ 248,358	\$ 32,523	\$ 280,881	\$ 955,760
3,860	-	-	49,351	18,549	2,365	20,914	70,265
6,321	-	-	50,652	20,966	1,860	22,826	73,478
67,371	-	-	774,882	287,873	36,748	324,621	1,099,503
8,157	-	-	8,157	-	-	-	8,157
-	-	-	-	5,274	-	5,274	5,274
-	-	-	508	-	-	-	508
-	-	-	20,500	-	-	-	20,500
-	-	-	4,128	-	-	-	4,128
-	-	-	349	-	-	-	349
-	-	-	19,800	-	-	-	19,800
-	-	-	-	-	812	812	812
-	-	-	2,446	-	-	-	2,446
-	-	-	10,790	-	-	-	10,790
-	-	-	26,168	-	-	-	26,168
-	-	-	5,918	-	-	-	5,918
-	-	-	159,333	-	-	-	159,333
-	-	-	-	2,744	-	2,744	2,744
-	-	-	-	-	600	600	600
-	-	-	46,242	-	-	-	46,242
-	-	-	-	-	9,082	9,082	9,082
-	-	-	-	101,346	-	101,346	101,346
-	-	-	-	-	683	683	683
-	-	-	-	600	-	600	600
-	-	-	1,086	-	-	-	1,086
-	-	-	-	1,413	-	1,413	1,413
-	-	-	-	8,076	2,070	10,146	10,146
-	-	-	-	5,079	-	5,079	5,079
-	-	-	1,536	-	-	-	1,536
-	-	-	-	3,019	-	3,019	3,019
-	-	-	-	-	188	188	188
-	-	-	-	2,500	-	2,500	2,500
-	-	-	-	-	718	718	718
-	-	-	-	14,704	-	14,704	14,704
-	12,000	-	12,000	-	-	-	12,000
-	-	-	8,032	-	-	-	8,032
242	-	650	11,071	464	-	464	11,535
-	-	-	-	12,742	-	12,742	12,742
-	-	-	-	2,798	-	2,798	2,798
-	-	-	62,559	-	-	-	62,559
<u>\$ 75,770</u>	<u>\$ 12,000</u>	<u>\$ 650</u>	<u>\$ 1,175,505</u>	<u>\$ 448,632</u>	<u>\$ 50,901</u>	<u>\$ 499,533</u>	<u>\$ 1,675,038</u>

STATEMENTS OF CASH FLOWS**MacDonell United Methodist Children's Services, Inc.**

For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Decrease in net assets	\$ (319,237)	\$ (520,163)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Non-cash rental expense	123,502	114,184
Depreciation	38,520	39,404
Loss from disposition of equipment	-	5,918
Loss on sale of investments	-	35,918
Unrealized losses (gains) on investments	(24,949)	114,571
Decrease (increase) in assets:		
Receivables	(7,622)	13,468
Prepaid insurance	4,781	744
Increase (decrease) in liabilities:		
Accounts payable	4,287	(3,565)
Accrued salaries and vacation	(17,469)	2,646
Payroll taxes payable	(7)	(335)
Other liabilities	1,392	(2,463)
Total adjustments	<u>122,435</u>	<u>320,490</u>
Net cash used in operating activities	<u>(196,802)</u>	<u>(199,673)</u>
Cash Flows from Investing Activities		
Purchases of equipment	(20,550)	(72,479)
Purchases of investments held in trusts	(7,901)	(16,831)
Maturities of investments held in trust	<u>131,685</u>	<u>291,000</u>
Net cash provided by investing activities	<u>103,234</u>	<u>201,690</u>
Net increase (decrease) in cash	(93,568)	2,017
Cash		
Beginning of year	<u>297,733</u>	<u>295,716</u>
End of year	<u>\$ 204,165</u>	<u>\$ 297,733</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MacDonell United Methodist Children's Services, Inc.

June 30, 2010 and 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization

MacDonell United Methodist Children's Services, Inc. (the Agency) is the successor to the MacDonell United Methodist Children's Agency which was founded by Miss Ella K. Hooper in 1919 as a French mission school. Today, the Agency serves neglected children who need a group living experience. The Agency provides around-the-clock care, education, Christian nurture, study and treatment for deprived, dependent children in need of care outside their own homes. The Agency is licensed by the Louisiana State Department of Social Services for 28 residents.

b) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

c) Basis of Accounting

Funds are accounted for using the accrual basis of accounting. Support and revenues are recognized when earned and expenses are recognized when incurred.

d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents, exclusive of investments in the Operating, Endowment and Restricted Trusts. The Agency had no cash equivalents at June 30, 2010 and 2009.

f) Investments

Investments consist of assets held in an operating trust, an endowment trust and a restricted trust. All investments are stated at their fair market value in the statement of financial position.

The operating and restricted trusts are included in investment pools administered by the United Methodist Foundation. The investment pools are operated using the "market value unit method". Under this method, each participant is assigned a number of units based on the relationship of the market value of all investments at the time of entry in the pool. Periodically, the pooled assets are valued. The new asset values are used to determine the number of units to be allocated to participants entering or withdrawing from the pools. Investment pool income, gains and losses are allocated based on the number of units held by each participant during the period. The restrictive trust includes but is not limited to restrictive net assets, as defined by ASC 980-20.

The endowment trust was established by the Agency's Board of Directors for the specific purpose of providing net assets to operate the Agency for the benefit of the children in residence. The trust is unrestricted and is governed by an Oversight Committee of three to five members. The trust is administered by a bank trust department. The investments consist of money market funds, fixed income mutual funds and equity mutual funds. The endowment trust is designated by the Board of Directors towards subsequent years' expenses and plant expansion should future funding shortfalls occur. Investment income as shown is net of \$1,462 and \$3,867 of investment expenses of the endowment trust for the years ended June 30, 2010 and 2009, respectively.

g) Bad Debts

The financial statements of the Agency contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or change in net assets.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Promises to Give/Contributions

Contributions are recognized when a donor makes a promise to give to the Agency that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recognized as assets and revenues.

As of June 30, 2010, the Agency received promises to give amounting to \$70,000 conditioned upon constructing a new dormitory for up to 12 girls. As of June 30, 2010 and 2009, the Agency included \$10,000 of architectural fees in construction in-progress for the construction of a new building and will recognize the conditional promises to give as revenue at the time dormitory construction commences.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

i) Property and Equipment

Property and equipment are recorded at cost and are depreciated or amortized by the straight-line method over their estimated useful lives as follows:

Buildings	10 - 30 years
Leasehold improvements	10 - 25 years
Land improvements	11 - 20 years
Furniture and fixtures	7 - 8 years
Machinery and equipment	5 - 15 years
Autos and trucks	3 - 5 years

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Property and Equipment (continued)

Additions and betterments of \$250 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation and amortization expense for the years ended June 30, 2010 and 2009 was \$38,520 and \$39,404, respectively.

j) Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donations for the use of property with explicit restrictions on time and use are reported as restricted support based on the estimated fair value of use. It is the Agency's policy to apply the time and use restrictions based on the assets' estimated fair values of use and term of use. Estimated fair value of the use of property is determined by independent appraisal. The most recent independent appraisal of the use of the property is dated January 11, 1999. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service or used as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

k) Donated Services and Materials

The National Division of the Board of Global Ministries of the United Methodist Church pays the "fire and extended coverage" insurance premium and fidelity bond coverage for the Agency. The donated premiums are recorded as contributions at their estimated fair values at the date of donation.

No amounts have been reflected in the financial statements for donated materials because there is no objective basis available to measure the value of such materials.

l) Compensated Absences

Full-time staff are entitled to paid vacations and holiday time after one full year of employment. Holiday time not taken is accrued from year to year. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year unless the agency requests an employee to postpone vacation for the good of

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Compensated Absences (continued)

the program. Terminating employees will be paid for unused vacation leave and holiday time if leaving prior to their anniversary date. The total amount of accrued accumulated vacation leave and holiday time at June 30, 2010 and 2009 was \$44,912 and \$59,752, respectively.

Sick leave accrues at one-half day per month, or six days per year. An employee may accumulate sick leave up to a maximum of twelve days. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

m) Financial Statement Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Support, revenues, and expenses for the general operation of the Agency.

Temporarily Restricted Net Assets – Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Permanently Restricted Net Assets – Contributions subject to donor-imposed restriction and that are to be held in perpetuity by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income derived from the investment of these contributions.

n) Functional Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses in accordance with cost reporting regulations of the Louisiana Department of Social Services. Accordingly, certain costs have been allocated among the services and activities benefitted.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Income Taxes

The Agency is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code unless the Agency has unrelated trade or business income. Therefore, no provisions for income taxes have been made.

p) Fair Values of Financial Instruments

The fair values of financial instruments have been determined through quoted market prices, comparable market prices, or present value techniques to approximate the amounts recorded in the statement of financial position.

q) New Accounting Pronouncements

Effective January 1, 2009, the Agency adopted ASC 740-10 (formerly, FASB Interpretation No. 48), *Accounting for Uncertain Tax Positions*. This accounting standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Agency's financial position, results of operations, or cash flows. Tax years ended June 30, 2006 and later remain subject to examination by the taxing authorities.

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification ("FASB ASC"), as the sole source of authoritative generally accepted accounting principles ("GAAP"). Pursuant to the provisions of Topic 105, the Agency has updated references to GAAP in its financial statements issued for the year ended June 30, 2010. The adoption of Topic 105 did not impact the Agency's net assets, changes in net assets, or cash flows for the year ended June 30, 2010.

Note 2 - INVESTMENTS

For the year ended June 30, 2010 investments in marketable securities are carried at fair value based on quoted prices in active markets (Level 1 measurements) except for the restricted trust, which is valued based on comparable market prices (Level 2 measurements). At June 30, 2009 all investments were level 1 measurements. These investments consist of the following at June 30, 2010 and 2009.

Exhibit F
(Continued)

Note 2 - INVESTMENTS (Continued)

<u>Investment Pool</u>	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Operating Trust	<u>\$ 1,162</u>	<u>\$ 1,162</u>	<u>\$ 1,142</u>	<u>\$ 1,142</u>
Endowment Trust:				
Money market	8,382	8,382	9,135	9,135
Mutual funds:				
JPMorgan Access Balanced Fund	206,783	164,657	-	-
Fixed	-	-	119,256	119,574
Equity	<u>-</u>	<u>-</u>	<u>215,321</u>	<u>152,928</u>
Total endowment trust	<u>215,165</u>	<u>173,039</u>	<u>343,712</u>	<u>281,637</u>
Restricted Trust	<u>115,036</u>	<u>93,693</u>	<u>110,290</u>	<u>83,950</u>
Totals	<u>\$ 331,363</u>	<u>\$ 267,894</u>	<u>\$ 455,144</u>	<u>\$ 366,729</u>

The investment pools of the Operating and Restricted Trusts have been merged by the bank trustee. While the administrator, the United Methodist Foundation, maintains separate accounting for the Operating and Restricted Trusts. The Operating Trust invests in high quality bonds and loans to Methodist Churches in the Louisiana Conference while the Restrictive Trust seeks to produce growth and income by investing in equities and short to intermediate-term bonds. The merged investment pool at December 31, 2009, the latest trust report date, consisted of the following:

Cash and cash equivalents	0.5%
Fixed income securities	48.4%
Equities	32.7%
Real estate and mortgage receivables	10.2%
Hedge Funds	<u>8.2%</u>
Total	<u>100.0%</u>

Note 3 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets include the present value of a lease agreement between the Agency and the Women's Division of the General Board of Global Ministries of the United Methodist Church, \$354,661 and \$478,163 at June 30, 2010 and 2009, the owner of certain land and buildings occupied by the Agency. The lease restricts the use of land, the Executive Director's residence, the administration building and various cottages to a residential treatment Agency for children and youth for the thirteen years ending December 31, 2012. The present value of the lease was determined by applying the time

Note 3 - RESTRICTIONS ON NET ASSETS

restriction to the use cost of the property, which is determined by multiplying the annual rental, based on an independent appraisal, times the number of years of the lease, thirteen years. A discount rate of 8% was used to determine the present value. The annual lease rental for the years ended June 30, 2010 and 2009 was \$159,333.

Permanently restricted net assets consist of the original donation amount of assets in the "Restricted Trust" (Note 2) that have been designated by the donor to be held in perpetuity. The investment income from the trust can be used to support the Agency's general activities.

Note 4 - PROPERTY AND EQUIPMENT

At June 30, 2010 and 2009 property and equipment consist of the following:

	2010	2009
Land improvements	\$ 60,525	\$ 59,595
Buildings	59,821	59,821
Leasehold improvements	835,224	829,340
Machinery and equipment	191,424	197,013
Furniture and fixtures	67,685	68,210
Autos and trucks	78,332	78,332
Construction in progress	<u>10,000</u>	<u>10,000</u>
 Total property and equipment	 1,303,011	 1,302,311
Less accumulated depreciation	<u>937,123</u>	<u>918,453</u>
 Net property and equipment	 <u>\$ 365,888</u>	 <u>\$ 383,858</u>

Construction in progress at June 30, 2010 includes architectural fees for a new dormitory.

Note 5 - RETIREMENT PLAN

A defined contribution plan is provided on a voluntary basis to the employees of the Agency by the General Board of Pensions of the United Methodist Church. In February 2010 the plan was amended for employee and employer contributions. Before the amendment participating employees could contribute a minimum of three percent of their salaries to the retirement fund and the Agency contributed an amount equal to six percent of the salaries of such employees. After the amendment participating employees can contribute a minimum of two percent of their salaries to the retirement fund and the Agency contributes an amount equal to four percent of the salaries of such employees. The Agency's contributions to the plan for the years ended June 30, 2010 and 2009 were \$32,034 and \$42,805, respectively.

Note 6 - ECONOMIC DEPENDENCY

The Agency receives monies for reimbursement of daily child-care costs. The child care reimbursement consists of state funding received through the Louisiana Department of Social Services under Title IV B and E (Administration for Children, Youth, and Families - Child Welfare Research and Demonstration). These payments are considered payments for services as opposed to a grant award. The total amounts received, net of clothing and personal needs allowances, for the years ended June 30, 2010 and 2009 were \$1,004,040 and \$913,499, respectively.

Reimbursements are determined based on a child-care day rate of \$135.95. The allowances for clothing and personal needs included in the rate amounted \$1.10 and \$0.65 per child-care day. The Agency maintains records on a daily basis for each child in attendance at the Agency. The child-care days for the years ended June 30, 2010 and 2009 were 7,431 and 6,807, respectively. If significant budget cuts are made at the federal and/or state level, the amount of support the Agency receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions by the Federal or State government that will adversely affect the amount of support the Agency will receive in the next fiscal year.

Note 7 - CONCENTRATION OF RISK

MacDonell United Methodist Children's Services, Inc. maintains several bank accounts at Whitney National Bank and Capital One Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at these institutions did not exceed Federally insured limits for the years ended June 30, 2010 and 2009.

Note 8 - RISK MANAGEMENT

The Agency is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2010 and 2009.

Note 9 - LINE OF CREDIT

On March 24, 2006 the Agency obtained a \$50,000 revolving line of credit from Capital One Bank to help finance its operating needs. Interest is payable on outstanding balances at an interest rate of the "Wall Street Journal" Prime interest rate, 3.25% at June 30, 2010. Capital One Bank retains the right to terminate the line immediately and without notice upon failure to pay accrued interest. No borrowings occurred during the year ended June

Note 9 - LINE OF CREDIT (Continued)

30, 2010, and none have occurred through the date of the independent auditor's report. At June 30, 2010, \$50,000 was available to the Agency for borrowings under the line of credit.

Note 10 - LEASE COMMITMENTS

On March 18, 2010 the Agency entered into a five year operating lease agreement for office equipment. The lease terms provide for monthly rental payments of \$213 for the first four months of the lease and \$229 per month for the remaining lease period. Rental expenses for the operating lease for the year ended June 30, 2010 totaled \$852.

Future minimum lease payments under the outstanding lease at June 30, 2010 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2011	2,749
2012	2,749
2013	2,749
2014	2,749
2015	<u>1,833</u>
Total	<u>\$ 12,829</u>

Note 11 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through October 1, 2010, which is the date the financial statements were available to be issued.

On August 9, 2010 the Agency signed a promissory note to the United Methodist Foundation for the principal sum of \$53,000 secured with funds on deposit, approximately \$95,000. The note shall be payable in 180 monthly installments beginning thirty days after the first draw with the final installment being due and payable on August 31, 2025. In addition, the interest on the principal balance shall accrue at a variable rate based on the United Methodist Foundation of Louisiana Fixed Income Fund Rate of Interest, plus 2%. The change in the interest rate, if any, shall become effective on the first day of any calendar month following a change in the Fixed Income Fund Rate. As of August 1, 2010, the Fixed Income Fund Rate was 1.75%. With the promissory note, the Agency purchased a facility that it plans to use for a transitional living program if approved by the State.

SUPPLEMENTARY INFORMATION SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors.

MacDonell United Methodist Children's Services, Inc.,
Houma, Louisiana.

Our report on our audits of the financial statements of MacDonell United Methodist Children's Services, Inc., (the Agency), for the years ended June 30, 2010 and 2009, appears on pages 1 and 2. The audits were conducted for the purpose of forming an opinion on such financial statements taken as a whole. The information contained in the schedule of revenues and expenses and graphs of revenues and expenses for the years ended June 30, 2010 and 2009 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2010 and 2009, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the statements of financial position of MacDonell United Methodist Children's Services, Inc., as of June 30, 2008, and the related statement of activities for the year ended June 30, 2008 (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the information presented in the schedule of revenues and expenses and graphs of revenues and expenses for the year ended June 30, 2008 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
October 1, 2010.

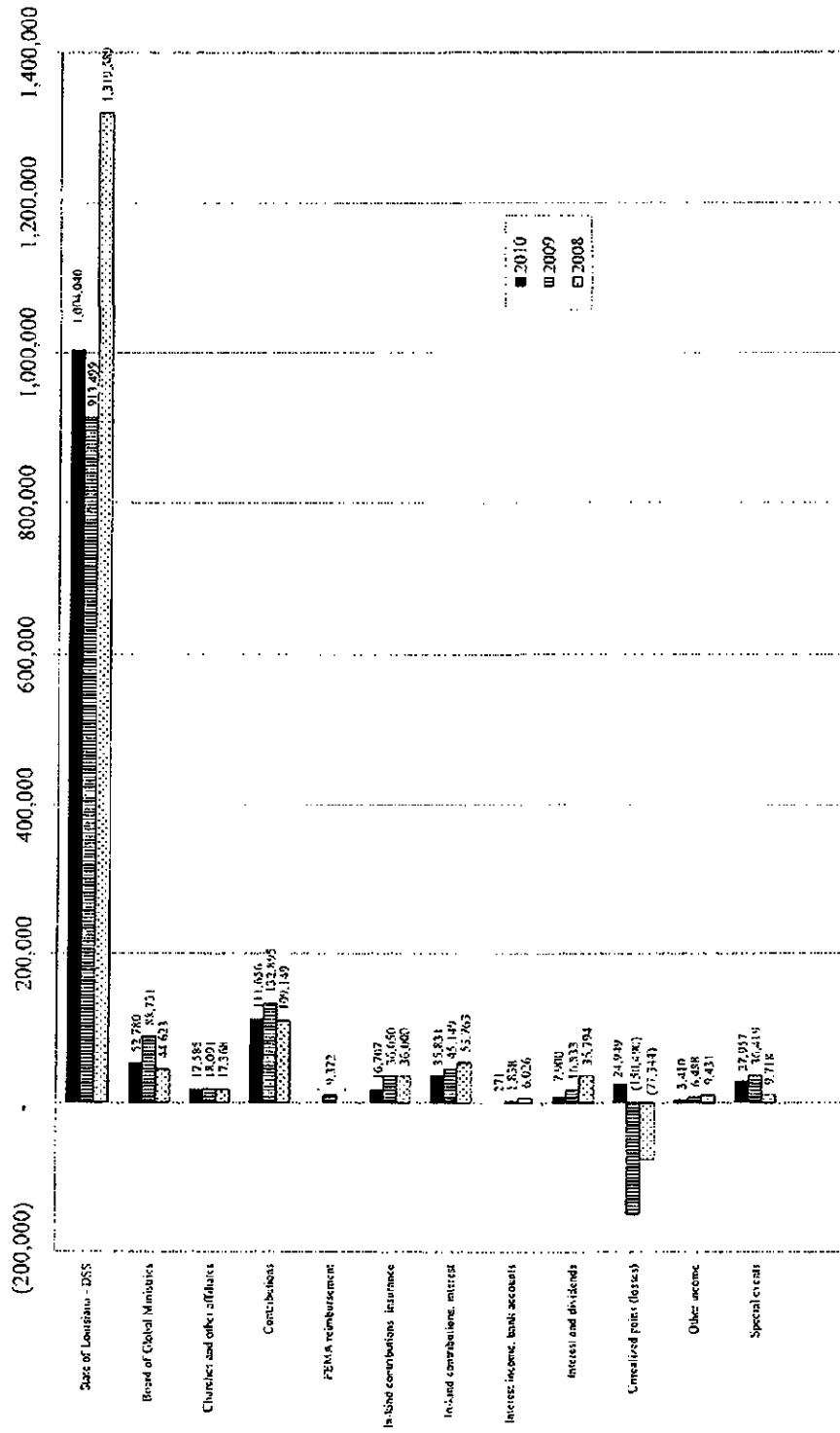
SCHEDULE OF REVENUES AND EXPENSES**MacDonell United Methodist Children's Services, Inc.**

For the years ended June 30, 2010, 2009, and 2008

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues			
State of Louisiana - DSS	\$ 1,004,040	\$ 913,499	\$ 1,319,589
Board of Global Ministries	52,780	88,731	44,623
Churches and other affiliates	17,585	18,091	17,368
Contributions	111,656	132,895	109,149
FEMA reimbursement	-	9,372	-
In-kind contributions, insurance	16,707	36,050	36,000
In-kind contributions, interest	35,831	45,149	53,763
Interest income, bank accounts	271	1,838	6,026
Investment income, interest and dividends	7,900	16,833	35,794
Investment income, unrealized gains (losses)	24,949	(150,490)	(77,344)
Other income	3,410	6,488	9,431
Special events	27,957	36,419	9,718
Total revenues	<u>\$ 1,303,086</u>	<u>\$ 1,154,875</u>	<u>\$ 1,564,117</u>
Expenses			
Salaries	\$ 925,870	\$ 955,760	\$ 1,094,200
Payroll taxes	70,417	70,265	81,505
Employee benefits	55,517	73,478	73,789
Building and grounds maintenance	21,133	20,500	22,247
Contract services	19,800	19,800	19,800
Depreciation	38,520	39,404	41,526
Donated use of facilities	159,333	159,333	159,333
Food and beverage	56,793	46,242	67,158
Insurance	98,678	101,346	105,227
Other expenses	98,295	102,733	106,407
Supplies	11,777	11,535	15,748
Utilities	55,064	62,559	70,020
Volunteer Gala	11,126	12,083	330
Total expenses	<u>\$ 1,622,323</u>	<u>\$ 1,675,038</u>	<u>\$ 1,857,290</u>

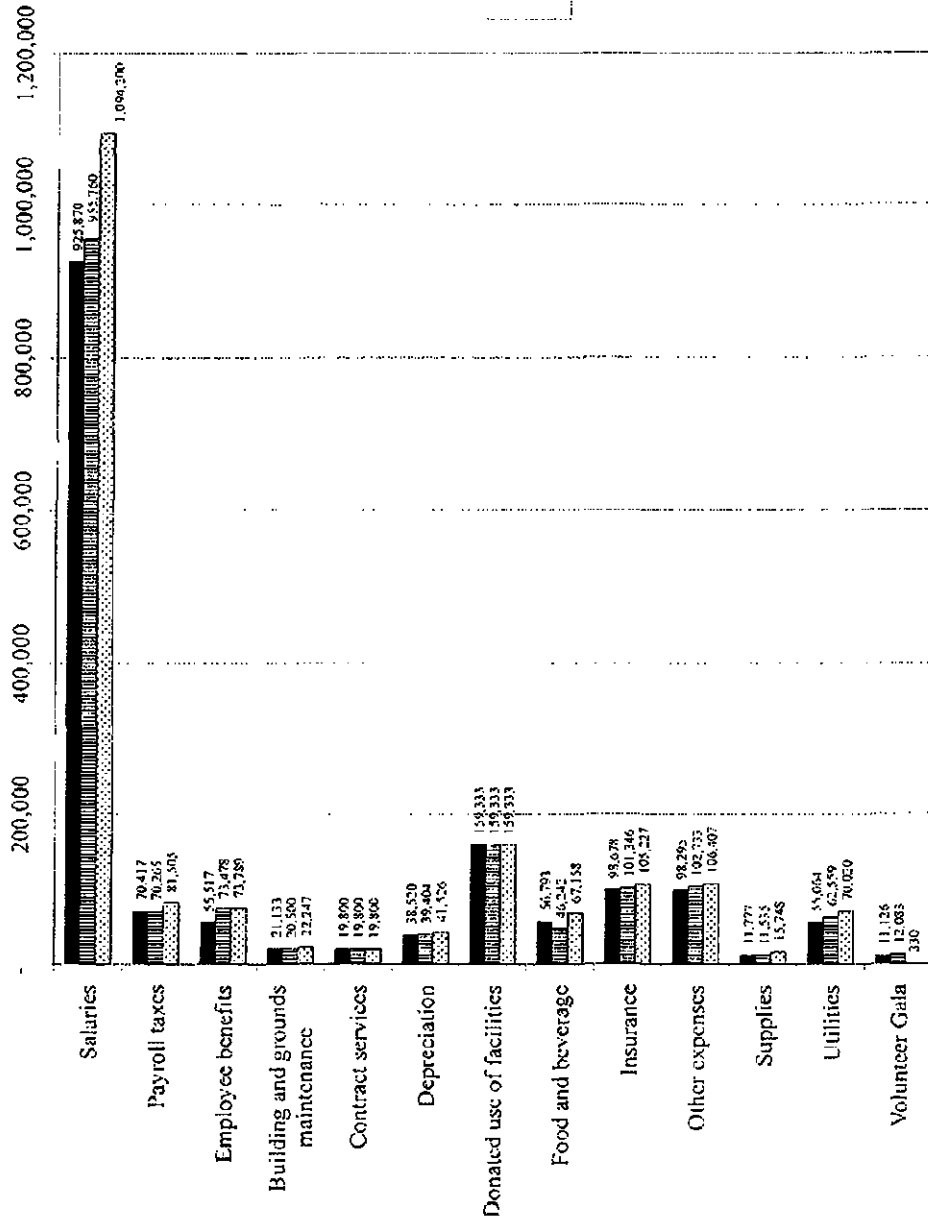
REVENUES**MacDonell United Methodist Children's Services, Inc.**

For the years ended June 30, 2010, 2009 and 2008



EXPENSES**MacDonell United Methodist Children's Services, Inc.**

For the years ended June 30, 2010, 2009, and 2008



SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
MacDonell United Methodist Children's Services, Inc.,
Houma, Louisiana.

We have audited the financial statements of MacDonell United Methodist Children's Services, Inc., (the Agency), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
October 1, 2010.

SCHEDULE OF FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2010

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

b) Federal Awards

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$500,000 during the year ended June 30, 2010 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II Financial Statement Findings

No financial statement findings were noted during the audit of the financial statements for the year ended June 30, 2010.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2010

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2009.

No reportable conditions were reported during the audit of the financial statements for the year ended June 30, 2009.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2009.

Section II Internal Control and Compliance Material to Federal Awards

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$500,000 during the year ended June 30, 2009 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2009.

MANAGEMENT'S CORRECTIVE ACTION PLAN

MacDonell United Methodist Children's Services, Inc.

For the year ended June 30, 2010

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2010.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2010.

Compliance

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended June 30, 2010.

Section II Internal Control and Compliance Material to Federal Awards

MacDonell United Methodist Children's Services, Inc. did not expend federal awards in excess of \$500,000 during the year ended June 30, 2010 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2010.